



BellSouth Telecommunications, Inc.
333 Commerce Street, Suite 2101
Nashville, TN 37201-3300

guy.hicks@bellsouth.com

January 25, 2002

REC'D TN
REGULATORY AUTHORITY
Guy M. Hicks
General Counsel
02 JAN 25 PM 2 03
OFFICE OF
EXECUTIVE SECRETARY
615 214 6301
Fax 615 214 7406

VIA HAND DELIVERY

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: *Complaint of XO Tennessee, Inc. Against BellSouth Telecommunications, Inc.*

Complaint of Access Integrated Networks, Inc. Against BellSouth Telecommunications, Inc.

Docket No. 01-00868

Dear Mr. Waddell:

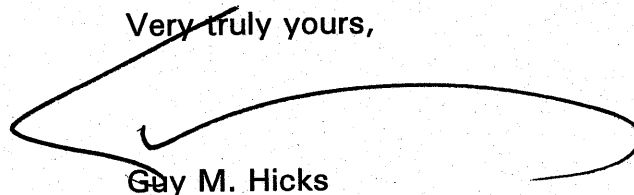
Enclosed are the original and thirteen copies of the following Direct Testimony on behalf of BellSouth:

Thomas Lohman
Ena Shaw

Richard Tice
Don Livingston

Copies of the enclosed are being provided to counsel of record.

Very truly yours,



Guy M. Hicks

GMH:ch

CERTIFICATE OF SERVICE

I hereby certify that on January 25, 2002, a copy of the foregoing document was served on the parties of record, via the method indicated:

☐ Hand
☐ Mail
☒ Facsimile
☐ Overnight

Henry Walker, Esquire
Boult, Cummings, et al.
P. O. Box 198062
Nashville, TN 37219-8062

☐ Hand
☐ Mail
☒ Facsimile
☐ Overnight

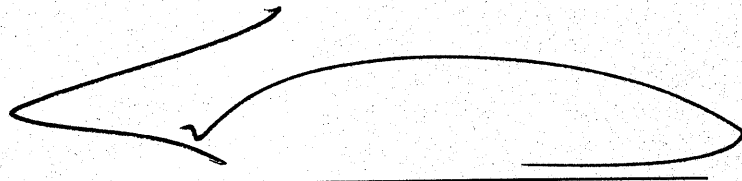
Chris Allen, Esquire
Office of Tennessee Attorney General
P. O. Box 20207
Nashville, Tennessee 37202

☐ Hand
☐ Mail
☒ Facsimile
☐ Overnight

Nanette S. Edwards, Esquire
ITC^DeltaCom
4092 South Memorial Parkway
Huntsville, AL 35802

☐ Hand
☐ Mail
☒ Facsimile
☐ Overnight

Bob Bye, Esquire
Cinergy Communications Company
8829 Bond Street
Overland Park, KS 66214

A large, stylized handwritten signature, likely of Bob Bye, is written over a horizontal line. The signature is fluid and cursive, with a long horizontal stroke at the end.

1 BELLSOUTH TELECOMMUNICATIONS, INC.
2 DIRECT TESTIMONY OF ENA A. SHAW
3 BEFORE THE TENNESSEE REGULATORY AUTHORITY
4 DOCKET NO. 01-00868
5 JANUARY 25, 2002
6

7 Q. PLEASE STATE YOUR NAME, YOUR POSITION, AND YOUR
8 BUSINESS ADDRESS.
9

10 A. My name is Ena A. Shaw. I am employed by BellSouth Telecommunications,
11 Inc. ("BST") as a Senior Director in Small Business Services. My business
12 address is 1057 Lenox Park Blvd. NE, Suite 300, Atlanta, Georgia, 30319.
13

14 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATIONAL
15 BACKGROUND AND YOUR EXPERIENCE IN THE
16 TELECOMMUNICATIONS INDUSTRY.
17

18 A. After I graduated from the University of Virginia in 1992 with a Bachelor of
19 Arts degree in English, I worked at the consulting firm now known as
20 Accenture in Atlanta until 1995. I then attended the University of Michigan
21 Business School from 1995 to 1997, graduated in May of 1997 with a Masters
22 of Business Administration degree, and was employed by McKinsey and
23 Company in Atlanta from 1997 to 1999. In September 1999, I joined
24 BellSouth Corporation in the Strategic Management Unit as a Director in the
25 Business Development Group. In May 2001, I transferred to BST as Senior
26 Director with responsibility for multi-channel strategy for Small Business

1 Services. In November of 2001, I became Senior Director of marketing
2 operations for Small Business Services.

3

4 Q. DO YOU HAVE RESPONSIBILITY FOR SMALL BUSINESS SERVICES
5 OFFERINGS, SUCH AS THE OFFERING DESCRIBED IN THE
6 COMPLAINTS FILED BY ACCESS INTEGRATED NETWORKS, INC.
7 ("AIN") AND XO TENNESSEE, INC. ("XO")?

8

9 A. Yes. Effective November 2001, I replaced Don Livingston, and my
10 responsibilities include ensuring that Small Business Services offerings are
11 thoroughly reviewed and approved by higher management within Small
12 Business Services and by the Legal Department before any personnel are
13 trained on the offering and before the offering is implemented.

14

15 Q. HAS BST EFFECTIVELY COMMUNICATED TO ITS EMPLOYEES THE
16 NEED TO OBTAIN SUCH REVIEW AND APPROVAL BEFORE
17 IMPLEMENTING MARKETING OFFERINGS?

18

19 A. Yes. First, let me be clear that the offering that is the subject of this
20 proceeding did not occur as a result of failure by field personnel to follow
21 directives. Instead, as Mr. Livingston explains in his pre-filed direct
22 testimony, the offering at issue was developed by a small team of managers
23 within the Small Business Services marketing organization at headquarters,
24 and it was developed and implemented without obtaining the requisite review
25 and approval of higher management and the Legal Department.

1
2 All of the Small Business Services employees who are involved in the
3 development of marketing offerings now report either to me or to Phil Hinson,
4 another Senior Director in Small Business Services. Both Mr. Hinson and I
5 report to the vice president of marketing for Small Business Services.
6

7 At the direction of the vice president of marketing for Small Business Services,
8 I have ensured that the employees who report to me understand the review and
9 approval process that must be followed before any offering – involving either
10 regulated services, non-regulated services, or both – is implemented and
11 offered to customers. I also have confirmed that, at the direction of the vice
12 president of marketing for Small Business Services, Mr. Hinson has ensured
13 that the employees who report to him have the same understanding. All of
14 these employees understand that they are required to adhere to this process,
15 and they are aware that appropriate disciplinary actions, up to and including
16 dismissal, may be taken by BST if this process is not followed in the future.
17

18 Q. PLEASE DESCRIBE THE REVIEW AND APPROVAL PROCESS YOU
19 MENTIONED.
20

21 A. All marketing offerings must be reviewed and approved by upper management
22 within Small Business Services and by the Legal Department before they are
23 offered to customers. Before any such offerings are implemented, reviews and
24 approvals must be obtained from the vice president of marketing, the vice

1 president of operations, the chief financial officer, and the chief legal counsel
2 for Small Business Services.

3
4 Q. WHAT STEPS HAS BST TAKEN WITH REGARD TO THE OFFERING
5 DESCRIBED IN THE COMPLAINTS OF XO AND AIN?
6

7 A. In addition to the steps I have just described, all BellSouth sales channels have
8 ceased marketing the offering that is the subject of these complaints, and no
9 customer can sign up for that offering.
10

11 Additionally, a letter was sent from the president of Small Business Services to
12 all customers who have service with BST in Tennessee pursuant to the
13 offering. Attached to this letter was a letter from Rick Tice, President of
14 BellSouth Select, Inc. ("BSSI"), that explained to those customers how the
15 bonus points would actually be awarded, the benefits available under the Select
16 Business Program, and how the bonus Select points can be redeemed in light
17 of the modifications to the redemption options as explained in the pre-filed
18 testimony of Mr. Tice. The letter from Small Business Services advised
19 customers that if they were dissatisfied with this explanation, they could
20 terminate their 2001 Key Program term agreement with no termination liability
21 or forfeiture of previously received discounts and either (1) remain a BellSouth
22 customer participating in the Select Business Program or (2) if applicable,
23 return to their previous local provider, at no cost to the customer. See Exhibit
24 EAS-1 for the form of these letters.
25

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2

3 A. Yes.

4

Docket 01-00868
January 25, 2002
Exhibit EAS-1



BellSouth Select, Inc.
125 Perimeter Center West
Suite 316
Atlanta, GA 30346

«Date»

«NAME»
«COMPANY»
«ADDR1»
«CITY», «STATE» «PostalCode»

Select Business Account: «SBaccount»
Membership ID Number: «MbrID»

Dear Valued Customer

Thank you for your recent decision to subscribe to the «ContractName» offer and to enroll in the BellSouth Select Business™ Program. It has come to my attention that the specifics of the «ContractName» and BellSouth Select Business Program may not have been adequately explained to you prior to signing your election agreement. Attached is a letter from Rick Tice, President of BellSouth Select, Inc., providing additional information and clarification concerning the programs.

If, for any reason, you are dissatisfied with your decision after reviewing the attached explanation of the programs, we want to offer you the following alternatives:

1. You may terminate your election agreement, with no termination liability and remain a participant in the BellSouth Select Business Program. The rates for your BellSouth regulated services will revert to the standard rates set forth in the applicable tariff. You will continue to receive Select bonus points and will continue to enjoy all of the other benefits of the BellSouth Select Business Program.
2. You may terminate your election agreement, with no termination liability and switch your local service business back to your previous provider. BellSouth will pay any transfer, switch or connection fee imposed by that local provider.

We apologize for any confusion or inconvenience that may have been caused by this matter. If you wish to pursue one of the above options, please call BellSouth at 615-401-4363 so that the proper arrangements can be made.

Sincerely,

David Scobey
President – BellSouth Small Business Services

BellSouth
Select Business™
Platinum

«Date»

«NAME»
«COMPANY»
«ADDR1»
«CITY», «STATE» «PostalCode»

Select Business Account: «SBaccount»
Membership ID Number: «MbrID»

Thank you for re-establishing your telephone service with BellSouth under the «ContractName» offer that provides discounts to BellSouth's standard tariffed prices. You have also elected to participate in the BellSouth Select Business™ Program, an unregulated customer loyalty program for qualified customers, offered by BellSouth Select, Inc. This letter is to clarify the benefits you will receive under the BellSouth Select Business Program.

In November you will receive an enrollment kit welcoming you into the BellSouth Select Business Program. The kit outlines the full standard benefits of the program and showcases products for which you may redeem your points, including TV/VCRs, travel awards, telephones and prepaid phone cards. You will also have the option of receiving a check from BellSouth Select, Inc. equal to the dollar value of accumulated BellSouth Select Business points. BellSouth Select Business participants also receive quarterly statements and catalogs with other valuable offers from BellSouth Select, Inc.

You may have been told that you would receive three months of BellSouth service at no charge. In actuality, because you also enrolled in the BellSouth Select Business Program, you will receive BellSouth Select Business bonus points with a value equal to three months of your total BellSouth bill. The bonus points will be issued to your Select account in the first, sixth, and twelfth months following the commencement of your BellSouth service. While the option to receive a credit on your BellSouth bill is no longer available, you may redeem these points in a number of other ways, including by receipt of a check from BellSouth Select, Inc. equal to the dollar value of the points.

We hope that this clarification is helpful and that you will continue to enjoy the BellSouth Select Business Program.

Sincerely,



Rick Tice
President, BellSouth Select, Inc.

> imagine >>> connect >> and create somethingSM

© BELL SOUTH

AFFIDAVIT

STATE OF: Georgia
COUNTY OF: Fulton

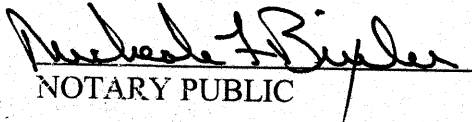
BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Ena A. Shaw – Senior Director in Small Business Services, BellSouth Telecommunications Inc., who, being by me first duly sworn deposed and said that:

She is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 01-00868 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, her testimony would be set forth in the annexed testimony consisting of 5 pages and 1 exhibit(s).



Ena A. Shaw

Sworn to and subscribed
before me on 1/25/02


NOTARY PUBLIC

MICHEALE F. BIXLER
Notary Public, Douglas County, Georgia
My Commission Expires November 3, 2005

BELLSOUTH TELECOMMUNICATIONS, INC.
DIRECT TESTIMONY OF RICHARD E. TICE
BEFORE THE TENNESSEE REGULATORY AUTHORITY
DOCKET NO. 01-00868
JANUARY 25, 2002

Q. PLEASE STATE YOUR NAME, YOUR POSITION, AND YOUR BUSINESS ADDRESS.

A. My name is Richard E. Tice. I am President of BellSouth Select, Inc. ("BSSI"), a wholly-owned subsidiary of BellSouth Corporation. My local business address is 1025 Lenox Park Boulevard NE, Suite A522, Atlanta, Georgia, 30319. I am in the process of transitioning to a new position within BellSouth Corporation. My new title will be Director – Consumer Advertising, and my business address will be 3535 Colonnade Parkway, Room South E411, Birmingham, Alabama, 35243.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATIONAL BACKGROUND AND YOUR EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.

A. After I graduated from Jacksonville State University in 1972 with a Bachelor of Science degree in Business Administration, I joined South Central Bell in the Outside Plant Department as an Installer/Repairman. In 1976, I was promoted to Assistant Staff Manager in the Headquarters Forecasting Organization with responsibility for result analysis. In 1978, I accepted a

1 position as Forecaster for northwest Louisiana where I was responsible for
2 economic and outside plant forecasting. In 1983, I accepted an assignment in
3 Marketing Development for BellSouth's Public Communications unit. In
4 1987, I became Product Manager for the BellSouth Calling Card, and in 1995, I
5 accepted an assignment as Product Manager for the BellSouth Co-Branded
6 Credit Card program. In December 1997, I was appointed Director - Project
7 Management and Vendor Relations with responsibilities for direction and
8 implementation of marketing strategies for the co-branded credit card. In
9 January 1998, I was appointed Vice-President of BSSI, with responsibility for
10 the oversight, development, and implementation of non-regulated, cross-
11 affiliate customer loyalty programs. In February 1999, I was appointed
12 President of BSSI. Starting in December of 2001, I began transitioning to my
13 new position as Director - Consumer Advertising for BellSouth Corporation,
14 but I am continuing as President of BSSI until my successor is named.

15
16 Q. IS BSSI A PARTY TO THIS DOCKET?

17
18 A. No, it is not. I am voluntarily testifying at the request of BellSouth
19 Telecommunications, Inc. ("BST").

20
21 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

22
23 A. The purpose of my testimony is to respond to the complaints filed by Access
24 Integrated Networks, Inc. ("ACCESS") and XO Tennessee, Inc. ("XO") with
25 the Tennessee Regulatory Authority ("TRA" or "Authority") on September 18,
26 2001 and October 9, 2001, respectively. Specifically, I will describe the

1 BellSouth Select Business Program (“Select Business Program”) and the
2 BellSouth Select Residential Program (“Select Residential Program”), and I
3 will describe the actions that BSSI has taken since the filing of the Complaints.
4

5 Q. IS BSSI A REGULATED COMPANY?

6
7 A. No. BSSI is a non-regulated subsidiary of BellSouth Corporation.
8

9 Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE SELECT
10 BUSINESS PROGRAM.
11

12 A. The Select Business Program is a loyalty marketing program similar to a
13 frequent flyer program. BST’s Response to XO’s 2nd Data Request, Item No.
14 6, describes the evolution of the Select Business Program from the time it was
15 launched on a trial basis in March of 1999 through today. Customers enrolled
16 in the Select Business Program earn standard points based on their spending
17 with participating BellSouth companies. BSSI also has awarded bonus points
18 (in addition to the standard points) to customers. Among other things, these
19 bonus points have been awarded to customers who filled out a customer
20 satisfaction survey, who reached an “anniversary” date in the Select Business
21 Program, or who purchased specified business services.
22

23 Q. WERE THESE BONUS POINTS AWARDED TO ALL CUSTOMERS WHO
24 MET A SPECIFIED CRITERIA?
25

1 A. The types of bonus points I just described were awarded to each customer who
2 met the criteria for receiving the bonus points. In 2001, BSSI and Small
3 Business Services also agreed to an additional amount of bonus points that
4 Small Business Services personnel could award in certain situations.

5
6 Q. WHAT ARE THE ELIGIBILITY REQUIREMENTS TO PARTICIPATE IN
7 THE SELECT BUSINESS PROGRAM TODAY, AND HOW DO
8 PARTICIPANTS IN THE PROGRAM EARN POINTS TODAY?

9
10 A. As indicated in BST's Response to XO's 2nd Data Request, Item No. 6, since
11 September 2001, small business customers that have at least \$100 in BST
12 monthly billing (including at least one non-regulated service) or at least \$100
13 in BellSouth Advertising and Publishing Corporation ("BAPCO") monthly
14 billing have been eligible to enroll in the Select Business Program. Customers
15 can enroll in the Select Business Program whether or not they purchase any
16 regulated services from BST. For example, a qualifying customer that spends
17 more than \$100 per month on Yellow Pages advertising is eligible to enroll in
18 the program, even if the customer purchases no regulated services from BST.

19
20 Customers that are enrolled in the program are awarded standard Select points
21 based on their level of monthly billing as follows:

- 22 • One point for every dollar spent with BST;
- 23 • One point for every dollar of Cingular Wireless LLC ("Cingular")¹
24 billing reflected on a combined bill for BST and Cingular services; and
- 25 • One point for every three dollars spent with BAPCO.

¹ Cingular now operates certain wireless properties formerly operated by BellSouth Mobility, Inc.

1 Under the Select Business Program currently in effect, no bonus points are
2 awarded based on the amount of regulated services purchased by the customer.
3

4 Q. WHO PAYS FOR THE COSTS ASSOCIATED WITH THE SELECT
5 BUSINESS PROGRAM?
6

7 A. Since the inception of the program, the non-regulated operations of
8 participating BellSouth companies have been (and continue to be) charged
9 \$.025 per point awarded. For example, if a qualifying business customer
10 participating in the program has monthly billing of \$150 from BST and \$300
11 from BAPCO, the customer would receive 250 Select points each month [150
12 $+ (300/3)$]. To cover the cost of these points, the non-regulated operations of
13 BST would be charged \$3.75, and BAPCO would be charged \$2.50. As
14 another example, a qualifying business customer that had no BST services, but
15 had \$375 in monthly billing from BAPCO, would receive 125 Select points
16 ($\$375/3$). To cover the cost of these points, BAPCO would be charged \$3.13.
17

18 In addition to the costs of the points awarded, BST and BAPCO have been
19 (and continue to be) charged for the administrative expenses of running the
20 Select Business Program.
21

22 Q. HOW DOES BST ACCOUNT FOR THE COSTS OF THE POINTS AND
23 THE ADMINISTRATIVE EXPENSES THAT ARE CHARGED TO IT?
24

25 A. Tom Lohman addresses this subject in his pre-filed direct testimony.
26

1 Q. HOW CAN PARTICIPATING CUSTOMERS USE THE POINTS THAT
2 ARE AWARDED TO THEM UNDER THE SELECT BUSINESS
3 PROGRAM?

4
5 A. In the past, participating business customers were allowed to redeem points for
6 any of the following:

- 7 • Discounts on non-regulated products and services including pre-paid
8 phone cards;
- 9 • Select Partner awards (CPE, travel awards, etc.) provided by companies
10 unaffiliated with BellSouth; and
- 11 • Credits against the customer's BellSouth bill.

12

13 Effective November 1, 2001, the option of redeeming points for credits on the
14 customer's BellSouth bill was eliminated, and it was replaced with the option
15 to receive cash in the form of a BSSI check that can be used for any purpose
16 desired by the customer.

17

18 Q. HOW WERE POTENTIALLY ELIGIBLE CUSTOMERS INVITED TO
19 ENROLL IN THE SELECT BUSINESS PROGRAM?

20

21 A. Several methods have been used to invite potentially eligible customers to
22 enroll in the program. In 1999, for instance, BSSI sent materials to all
23 potentially eligible customers by direct mail. Additionally, the program is
24 described on the Internet at www.bellsouthselectbusiness.com. BAPCO
25 representatives also inform their potentially eligible customers of the program,
26 and BST's efforts to inform its potentially eligible customers of the program

1 are explained in the pre-filed direct testimony of Mr. Livingston. Finally, I
2 have recently confirmed that enrollment in the Select Business Program is
3 offered to eligible customers during certain outbound calls initiated by the BST
4 Small Business Services organization or its representatives.

5
6 Q. WHAT IS YOUR UNDERSTANDING OF THE 2001 KEY BUSINESS
7 DISCOUNT PROGRAM ("2001 KEY PROGRAM")?

8
9 A. As I understand it, the 2001 Key Program is a tariffed offering that is available
10 to both new and existing Tennessee customers in specific areas that meet
11 certain criteria specified in the tariff.

12
13 Q. WHAT IS YOUR UNDERSTANDING OF THE OFFERING DESCRIBED
14 IN THE COMPLAINTS FILED BY XO AND AIN?

15
16 A. My understanding is that BellSouth sales channels offered to customers
17 enrollment in the Select Business Program at the same time that they
18 subscribed to certain BellSouth regulated services in connection with the 2001
19 Key Program tariff. Depending upon the length of the 2001 Key Program term
20 election made by the customer, the customer would receive bonus Select points
21 with a value equal to up to three months of the customer's total BST charges
22 (regulated and non-regulated). Further, depending on the number of bonus
23 Select points awarded, the points would be credited to the customer's Select
24 account in the first, sixth and twelfth months of Select participation. The
25 bonus Select points were redeemed as a credit against the customer's bill in the
26 month in which the points were awarded.

1

2 Q. DID YOU SUBMIT THE OFFERING DESCRIBED IN THE COMPLAINTS
3 FILED BY XO AND AIN FOR REVIEW AND APPROVAL FROM BSSI'S
4 ATTORNEYS?

5

6 A. No.

7

8 Q. WHY NOT?

9

10 A. Prior to November 1, 2001, legal review of proposed uses of the Select
11 Business Program in conjunction with any offering by the Small Business
12 Services organization was undertaken by BST. BSSI was responsible for
13 obtaining legal analysis and approval for any proposed change to the Select
14 Business Program itself. In order to avoid any confusion that could lead to a
15 future risk of implementing a program involving Select without obtaining
16 Legal Department review and approval, any change in or use of the Select
17 Business Program, including uses in conjunction with Small Business Services
18 offerings, now requires the review and approval of attorneys for BSSI.

19

20 Q. HOW MANY TENNESSEE CUSTOMERS ACCEPTED THE OFFERING
21 THAT IS DESCRIBED IN THE COMPLAINTS FILED BY XO AND AIN?

22

23 A. Sixty-three (63) Tennessee customers accepted that offer. Attachment 6.2 to
24 BST's Supplemental Response to Staff's First Data Request lists 64 customers
25 as having accepted the offer, but the customer with the telephone number
26 beginning with the 502 area code has no BST services to which the offer

1 applied in Tennessee. That customer was included on the list because the
2 Select enrollment form erroneously lists the customer's address as Louisville,
3 Tennessee instead of Louisville, Kentucky. Thus, only 63 Tennessee
4 customers accepted the offering.

5
6 The customers who have service with BST in Tennessee pursuant to the
7 offering have now been provided an explanation of how the bonus points
8 would actually be awarded, the benefits available under the Select Business
9 Program, and how the bonus Select points can be redeemed in light of the
10 modifications to the redemption options explained in my testimony. Please see
11 Exhibit RET-1 for the form of the letter that BSSI sent to each of these
12 customers. These customers were advised that if they were dissatisfied with
13 this explanation, they could terminate their 2001 Key Program term agreement
14 with no termination liability or forfeiture of previously received discounts and
15 either (1) remain a BellSouth customer participating in the Select Business
16 Program or (2) if applicable, return to their previous local provider, at no cost
17 to the customer.

18
19 Q. IS THE OFFERING THAT IS DESCRIBED IN THE COMPLAINTS FILED
20 BY XO AND AIN STILL AVAILABLE?

21
22 A. No. As explained by Ena Shaw in her pre-filed direct testimony, all BellSouth
23 sales channels have ceased marketing that offering, and no customer can sign
24 up for that offering. Further, bonus points are no longer awarded as a result of
25 subscription to a BellSouth regulated service.

1 Q. COULD YOU DESCRIBE RECENT CHANGES TO THE SELECT
2 BUSINESS PROGRAM?

3

4 A. Yes. Since September 2001, the following modifications have been made to
5 the Select Business Program:

6 • Bonus points are no longer awarded under the program in connection
7 with subscription to a regulated BellSouth service;

8 • Points may no longer be redeemed in the form of credits against the
9 customer's bill, whether automatic or at the option of the customer, but
10 customers may now elect to redeem points for cash in the form of a
11 BSSI check that can be used for any purpose desired by the customer;
12 and

13 • From its inception, the intent of the Select Business Program has been
14 that, over time, the amount of a customer's total non-regulated
15 spending would exceed the value of the total points redeemed by that
16 customer. Based on my recent review of the program in Tennessee, this
17 has been the case for more than 97% of the Tennessee customers
18 enrolled in the Select Business Program since its inception. BSSI,
19 however, is in the process of enhancing its systems to ensure that the
20 value of points redeemed by a customer does not exceed the amount of
21 the customer's aggregate non-regulated spending since joining the
22 program less the value of points that customer has already redeemed.
23 This change in redemption policy has been explained to all program
24 participants. Until these system enhancements are complete, BSSI has
25 ceased processing applications to redeem points.

26

1 Q. PLEASE DESCRIBE THE SELECT RESIDENTIAL PROGRAM.

2

3 A. BST's Response to XO's 2nd Data Request, Item No. 6, describes the evolution
4 of the Select Residential Program from the time it was launched in March of
5 1999 until it was discontinued at the end of 2001. Through the end of 2000,
6 residential customers with a specified amount of combined BST and BellSouth
7 Mobility, Inc. spending (including at least one non-regulated service) received
8 benefits such as coupon books, the BellSouth Select Newsletter, the BellSouth
9 Select Living magazine, and other benefits described in BST's Response to
10 XO's 2nd Data Request, Item No. 1. During the year 2001, residential
11 customers with a specified amount of BST spending (including at least one
12 non-regulated service) received the benefits described in BST's Response to
13 XO's 2nd Data Request, Item No. 1. The benefits that participants received did
14 not vary with the amount spent, and points were not awarded under the Select
15 Residential Program. The Select Residential Program ended on December 31,
16 2001, when a business decision was made to no longer fund the program.

17

18 Q. WHO PAYS FOR THE COSTS ASSOCIATED WITH THE RESIDENTIAL
19 SELECT PROGRAM?

20

21 A. Participating BellSouth companies were charged for the cost of the benefits
22 that were provided to program participants and for the administrative expenses
23 associated with the program.

24

25 Q. HOW DID BST ACCOUNT FOR THE COSTS THAT WERE CHARGED
26 TO IT WITH REGARD TO THE RESIDENTIAL SELECT PROGRAM?

1

2 A. Tom Lohman addresses this subject in his pre-filed direct testimony.

3

4 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

5

6 A. Yes.

7 DOCS 420222

Docket 01-00868
January 25, 2002
Exhibit RET - 1

«Date»

«NAME»
«COMPANY»
«ADDR1»
«CITY», «STATE» «PostalCode»

Select Business Account: «SBaccount»
Membership ID Number: «MbrID»

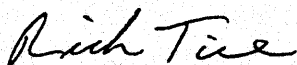
Thank you for re-establishing your telephone service with BellSouth under the «ContractName» offer that provides discounts to BellSouth's standard tariffed prices. You have also elected to participate in the BellSouth Select Business™ Program, an unregulated customer loyalty program for qualified customers, offered by BellSouth Select, Inc. This letter is to clarify the benefits you will receive under the BellSouth Select Business Program.

In November you will receive an enrollment kit welcoming you into the BellSouth Select Business Program. The kit outlines the full standard benefits of the program and showcases products for which you may redeem your points, including TV/VCRs, travel awards, telephones and prepaid phone cards. You will also have the option of receiving a check from BellSouth Select, Inc. equal to the dollar value of accumulated BellSouth Select Business points. BellSouth Select Business participants also receive quarterly statements and catalogs with other valuable offers from BellSouth Select, Inc.

You may have been told that you would receive three months of BellSouth service at no charge. In actuality, because you also enrolled in the BellSouth Select Business Program, you will receive BellSouth Select Business bonus points with a value equal to three months of your total BellSouth bill. The bonus points will be issued to your Select account in the first, sixth, and twelfth months following the commencement of your BellSouth service. While the option to receive a credit on your BellSouth bill is no longer available, you may redeem these points in a number of other ways, including by receipt of a check from BellSouth Select, Inc. equal to the dollar value of the points.

We hope that this clarification is helpful and that you will continue to enjoy the BellSouth Select Business Program.

Sincerely,



Rick Tice
President, BellSouth Select, Inc.

> *imagine* >>> *connect* >> and *create something*SM

© **BELLSOUTH**

AFFIDAVIT

STATE OF: Alabama
COUNTY OF: Jefferson


BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Richard E. Tice - President, BellSouth Select Inc., who, being by me first duly sworn deposed and said that:

He is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 01-00868 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, his testimony would be set forth in the annexed testimony consisting of 12 pages and 1 exhibit(s).



Richard E. Tice

Sworn to and subscribed
before me on 1/23/02


NOTARY PUBLIC

MICHEALE F. BIXLER
Notary Public, Douglas County, Georgia
My Commission Expires November 3, 2005

1 BELL SOUTH TELECOMMUNICATIONS, INC.

2 DIRECT TESTIMONY OF T. F. LOHMAN

3 BEFORE THE TENNESSEE REGULATORY AUTHORITY

4 DOCKET NO. 01-00868

5 JANUARY 25, 2002

6
7 Q. PLEASE STATE YOUR NAME, YOUR BUSINESS ADDRESS AND YOUR
8 POSITION WITH BELL SOUTH.

9
10 A. My name is Thomas F. Lohman and my business address is 675 West Peachtree Street,
11 N. E., Atlanta, GA. My title is Senior Director in the Finance Department of BellSouth
12 Telecommunications, Inc. (hereinafter referred to as "BST").

13
14 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATIONAL
15 BACKGROUND AND YOUR EXPERIENCE IN THE TELECOMMUNICATIONS
16 INDUSTRY.

17
18 A. I received a Bachelor of Science degree (Accounting and Finance majors) from Florida
19 State University in 1972. I am a Certified Public Accountant and a current member of
20 both the American and Florida Institutes of Certified Public Accountants. I was
21 employed by Southern Bell - Comptrollers in Jacksonville, Florida in 1972, and have
22 held various Finance positions of increasing responsibility since that time. My
23 experience has been in the areas of budget/forecast preparation, cost accounting, revenue
24 operations and regulatory matters. I have been involved with regulatory accounting

1 operations since 1980 and have over 29 years of telecommunications financial experience
2 with BellSouth.

3
4 Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?

5
6 A. I am responsible for the preparation and analysis of BST's regulated financial results, the
7 provision of accounting and cost information requested in proceedings before state and
8 federal regulatory commissions and the coordination of other regulatory activities related
9 to accounting and finance.

10
11 Q. HAVE YOU TESTIFIED PREVIOUSLY REGARDING FINANCIAL ISSUES IN
12 STATE REGULATORY PROCEEDINGS?

13
14 A. Yes. I have been involved in regulatory proceedings for many years. Included among
15 the dockets in which I have testified are Florida Dockets No. 930458-TL, regarding the
16 deregulation of inside wire services, and No. 890190, concerning Southern Bell's cost
17 allocation procedures and Cost Allocation Manual. In addition, I have testified in several
18 states concerning BellSouth's deregulation of pay telephones.

19
20 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

21
22 A. The purpose of my testimony is to explain how BST accounts for the revenue it receives
23 under the 2001 Key Business Discount Program ("2001 Key Program") tariff and how
24 BST accounts for its costs associated with the Select Business Program and the Select
25 Residential Program.

1
2 Q. PLEASE DESCRIBE THE TRANSACTION BETWEEN BST AND A CUSTOMER
3 WHO ACCEPTED THE OFFERING DESCRIBED IN THE COMPLAINTS FILED BY
4 ACCESS INTEGRATED NETWORKS, INC. ("AIN") AND XO TENNESSEE, INC.
5 ("XO") THAT HAS BEEN CHARACTERIZED BY SOME AS INVOLVING
6 MONTHS OF "FREE" SERVICE.

7
8 A. As explained in the pre-filed direct testimony of Richard Tice, a business customer that
9 has accepted the offering is purchasing regulated services from BST pursuant to the 2001
10 Key Program tariff, and it is also purchasing one or more non-regulated services from
11 either BST, BellSouth Advertising and Publishing Corporation ("BAPCO"), or Cingular
12 Wireless LLC ("Cingular"). The customer also is earning Select points based on the
13 purchase of these services.

14
15 Q. HOW DOES BST ACCOUNT FOR THE CUSTOMER'S PURCHASE OF BST
16 REGULATED SERVICES UNDER THAT OFFERING?

17
18 A. BST's accounting treatment for the participating customer's purchase of regulated
19 services under the offering at issue in this proceeding is the same as it is for customers
20 that do not participate in that offering. BST bills the customer the full tariffed rates for
21 the regulated services the customer purchased under the 2001 Key Program tariff, and
22 BST records the full amount of these tariffed rates as regulated revenue. There is no
23 reduction of regulated revenues due to a customer's participation in a Select Business
24 Program.

1
2 Q. IS THERE A REDUCTION OF REGULATED REVENUES WHEN A CUSTOMER
3 EARNS POINTS UNDER THE SELECT BUSINESS PROGRAM?
4

5 A. No. As stated above, the BST customer must purchase at least one non-regulated product
6 to participate in the Select Business Program. The customer is billed the full rate for the
7 non-regulated service each month, and the revenue is recorded as non-regulated. When a
8 customer earns points that are charged to BST, the total cost of those points (earned on
9 both regulated and non-regulated purchases) is charged (debited) to non-regulated
10 revenues. Thus, BST's entire cost of the program points is born by the non-regulated
11 lines of business, and there is neither a reduction of the regulated revenues nor a discount
12 to tariff rates.
13

14 Q. WHY DOES BST ACCOUNT FOR THE COST OF POINTS AS A REDUCTION OF
15 NON-REGULATED REVENUES?
16

17 A. There are two reasons for this treatment. The first reason is that Generally Accepted
18 Accounting Principles (GAAP) require the cost of the points to be accounted for as a
19 reduction to revenue rather than as an expense. The second reason is that by recording
20 the entire reduction to non-regulated revenue, BST ensures that there is no discount or
21 reduction of regulated rates. Thus, there has been no reduction of regulated revenues
22 associated with this program. Additionally, this means that BST's regulated services are
23 not subsidizing any non-regulated services purchased by the customer.
24
25

1 Q. WHEN A CUSTOMER ACTUALLY REDEEMS POINTS IT HAS EARNED UNDER
2 THE SELECT BUSINESS PROGRAM, DOES THAT RESULT IN A REDUCTION OF
3 REGULATED REVENUES?
4

5 A. No. The redemption is shown on the customer's bill as a credit on the "Other Charges
6 and Credits" page of the bill. The redemption is accounted for as a payment, just as
7 though the customer had paid with cash or a credit card, and the redemption creates
8 neither a revenue entry nor an expense entry.
9

10 Q. IT APPEARS THAT SOME SALES PERSONS MAY HAVE SUGGESTED THAT
11 CUSTOMERS WOULD RECEIVE FREE OR COMPLEMENTARY REGULATED
12 SERVICES OR ADDITIONAL DISCOUNTS OFF REGULATED SERVICES UNDER
13 THE OFFERING THAT IS THE SUBJECT OF THIS PROCEEDING. IN LIGHT OF
14 THE ACCOUNTING TREATMENT YOU HAVE JUST DESCRIBED, WOULD
15 THAT BE AN ACCURATE DESCRIPTION OF WHAT THE CUSTOMER
16 RECEIVES?
17

18 A. No. BellSouth does not provide "free" service for regulated products. Instead, as
19 described above, all regulated services are charged to the customer at the appropriate
20 tariffed rate, and the revenues (at the tariffed rates) are recorded and reported in financial
21 reports accordingly. The cost of the points is charged to non-regulated revenues, thus
22 there is no discount or reduction of regulated revenues under the offering that is described
23 in the complaints filed by XO and AIN.
24

1 Q. IS THIS THE WAY BELL SOUTH HAS ACCOUNTED FOR ITS COSTS OF SELECT
2 POINTS SINCE THE INCEPTION OF THE SELECT BUSINESS PROGRAM?

3
4 A. Yes. The cost of the points has always been journalized as a reduction of non-regulated
5 revenue.

6
7 Q. HOW DID BST ACCOUNT FOR ITS COSTS OF THE BENEFITS PROVIDED TO
8 CUSTOMERS UNDER THE SELECT RESIDENTIAL PROGRAM?

9
10 A. As Mr. Tice explains in his pre-filed direct testimony, no points were awarded under the
11 Select Residential Program, and this program ceased as of the end of 2001. The costs of
12 the Select Residential Program were included in the administrative expenses discussed
13 below.

14
15 Q. ASIDE FROM THE COSTS OF THE POINTS INVOLVED IN THE SELECT
16 BUSINESS PROGRAM, ARE THERE ANY OTHER COSTS TO BST RESULTING
17 FROM ITS PARTICIPATION IN THE SELECT BUSINESS PROGRAM OR IN THE
18 SELECT RESIDENTIAL PROGRAM?

19
20 A. Yes. BST is billed for its share of BellSouth Select, Inc.'s ("BSSI's") administrative
21 costs of the Select Business Program, and BST was billed its share of BSSI's
22 administrative costs of the Select Residential Program until that program ceased at the
23 end of 2001. Starting in 2001, these administrative costs were directly assigned to non-
24 regulated expenses in Account No. 6613, Product Advertising Expense. Prior to 2001,
25 the administrative costs were journalized to Account No. 6623, Customer Services

1 Expense and were allocated to both regulated and non-regulated expenses based on the
2 cost causative approach of BST's Cost Allocation Manual ("CAM"). In general, this
3 approach looks at what service(s) is causing the cost and what service(s) is benefiting
4 from the cost to determine if the cost should be considered regulated, non-regulated or
5 allocated to both. Since the Select programs encourage purchases of both regulated and
6 non-regulated BellSouth products and services, the costs were allocated to regulated and
7 non-regulated.

8
9 Starting in 2001 and going forward, BST has chosen to adopt a conservative approach
10 that directly assigns BST's portion of the total administrative costs of the Select Business
11 Program and the Select Residential Program to non-regulated. Although not required by
12 the CAM, this conservative approach eliminates any questions concerning the regulatory
13 treatment of these costs.

14
15 Q. HOW DOES THE AMOUNT OF CONTRA-REVENUE CHARGED TO BST'S NON-
16 REGULATED REVENUES AS A RESULT OF THE SELECT BUSINESS PROGRAM
17 AND THE SELECT RESIDENTIAL PROGRAM IN TENNESSEE COMPARE TO
18 THE TOTAL AMOUNT OF NON-REGULATED REVENUE FOR BST IN
19 TENNESSEE?

20
21 A. For the year 2000, the total amount of contra-revenue charged to BST's non-regulated
22 revenues in Tennessee as a result of these Select programs was approximately one
23 percent (1%) of the total amount of non-regulated revenue for BST in Tennessee. For the
24 year 2001, the total amount of contra-revenue charged to BST's non-regulated revenues

1 in Tennessee as a result of these Select programs was approximately one and one-half
2 percent (1.5%) of the total amount of non-regulated revenue for BST in Tennessee.
3

4 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
5

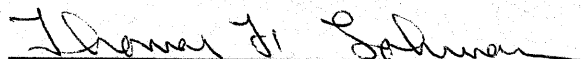
6 A. Yes.
7

AFFIDAVIT

STATE OF: Georgia
COUNTY OF: Fulton

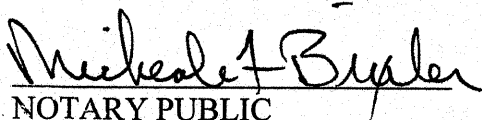
BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Thomas F. Lohman – Senior Director, Finance Department, BellSouth Telecommunications Inc., who, being by me first duly sworn deposed and said that:

He is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 01-00868 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, his testimony would be set forth in the annexed testimony consisting of 8 pages and 0 exhibit(s).



Thomas F. Lohman

Sworn to and subscribed
before me on 1/25/02


NOTARY PUBLIC

MICHEALE F. BIXLER
Notary Public, Douglas County, Georgia
My Commission Expires November 3, 2005

1 Bellsouth Telecommunications, Inc.
2 Direct Testimony of Don L. Livingston
3 Before the Tennessee Regulatory Authority

4 DOCKET NO. 01-00868

5 JANUARY 25, 2002
6

7 Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH Bellsouth
8 AND YOUR BUSINESS ADDRESS.
9

10 A. My name is Don L. Livingston. I am employed by BellSouth Affiliate Services
11 Corporation, as a Senior Director, with responsibilities for Voice Products
12 Strategy and Development. Prior to this assignment, I was employed by
13 BellSouth Telecommunications, Inc. ("BST") as a Senior Director in Small
14 Business Services. My business address is 1057 Lenox Park Blvd. NE,
15 Atlanta, Georgia, 30319.
16

17 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATIONAL
18 BACKGROUND AND YOUR EXPERIENCE IN THE
19 TELECOMMUNICATIONS INDUSTRY.
20

21 A. After I graduated from the Georgia Institute of Technology in 1988 with a
22 Masters in Science of Management, I started working at The Procter & Gamble
23 Company and remained there for 5 years. In 1993, I started working for the
24 Learning Corporation as a Marketing and Management Strategy Consultant. In
25 1996, I joined BST Small Business Services Division as a Director of Product
26 Marketing. In May of 1998, I moved into the sales organization of Small

1 Business Services as the Director of Account Management and Outbound
2 Telemarketing. In May of 1999, I moved back into the marketing organization
3 of Small Business Services Division and was promoted to Senior Director of
4 Marketing Operations. In November of 2001, I moved to the BellSouth
5 Affiliate Services Corporation, in my current position as Senior Director of
6 Voice Products Strategy and Development.

7
8 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

9
10 A. The purpose of my testimony is to respond to the complaints filed by Access
11 Integrated Networks, Inc. ("ACCESS") and XO Tennessee, Inc. ("XO") with
12 the Tennessee Regulatory Authority ("TRA" or "Authority") on September 18,
13 2001 and October 9, 2001, respectively. Specifically, I will explain Small
14 Business Services' involvement in marketing the offering that is the subject of
15 this proceeding, and I will address Small Business Services' involvement with
16 certain other aspects of the Select Business Program.

17
18 Q. PLEASE DESCRIBE THE OFFERING THAT IS THE SUBJECT OF THE
19 COMPLAINTS FILED BY XO AND AIN.

20
21 A. The offering involved the use of both the 2001 Key Business Discount
22 Program¹ ("2001 Key Program") and the Select Business Program. The 2001
23 Key Program is a tariffed offering that is available to both new and existing
24 Tennessee customers in specific areas that meet certain criteria specified in the

¹ Although, as explained below, one customer accepted the offering in conjunction with the tariffed 2000 Key Business Discount Program, the remaining customers accepted the offer in conjunction with the tariffed 2001 Key Business Discount Program.

1 tariff. A copy of the 2001 Key Program tariff is attached as Exhibit DLL-1.
2 The Select Business Program is described in the pre-filed direct testimony of
3 Richard Tice.

4
5 BellSouth sales channels offered to enroll customers in the Select Business
6 Program at the same time that they subscribed to certain BellSouth regulated
7 services in connection with the 2001 Key Program tariff. Depending upon the
8 length of the 2001 Key Program term election made by the customer, the
9 customer would receive bonus Select points with a value equal to up to three
10 months of the customer's total BST charges (regulated and non-regulated).
11 Further, depending on the number of bonus Select points awarded, the points
12 would be credited to the customer's Select account in the first, sixth and
13 twelfth months of Select participation. The bonus Select points were redeemed
14 as a credit against the customer's bill in the month in which the points were
15 awarded.

16
17 Unfortunately, due to improper program implementation, including failure to
18 obtain requisite approvals and the use of defective training materials for those
19 sales channels engaged in efforts to sell the 2001 Key Program and to enroll
20 customers in the Select Business Program, the benefits of these two separate
21 offers were not accurately described to some of the customers that were
22 contacted. Rather than describing the separate sets of benefits for the 2001
23 Key Program (discounts on regulated services pursuant to filed promotions)
24 and the Select Business Program (earn points that can be redeemed for multiple
25 non-regulated benefits, including a credit against the customer's bill), certain

1 sales personnel described the offer as including "free" or "complementary"
2 months of local service. As Mr. Tice explains, this was neither the design nor
3 the intent of the Select Business Program.

4
5 Q. WHOSE IDEA WAS IT TO USE THE SELECT BUSINESS PROGRAM IN
6 CONJUNCTION WITH THE 2001 KEY PROGRAM AS YOU JUST
7 DESCRIBED?

8
9 A. The initial idea that led to the offering arose during discussions between Brent
10 Mlott, one of the managers who reported to me at the time, and myself.
11 Shortly after these discussions, Mr. Mlott relayed this initial idea to Scott
12 Johnson, a manager who reported to him. Mr. Johnson then created draft
13 documents that discussed market information related to the offering, how the
14 offering could be structured, and financial information regarding the offering.
15 Mr. Mlott, Mr. Johnson, and I had discussions in which we refined the
16 offering, and Mr. Johnson revised the documents to reflect those refinements.
17 The documents, which were used to train the sales channels on how to market
18 the offering, were produced by BST in response to discovery requests in this
19 docket.

20
21 Q. WHEN WAS THE OFFERING MADE AVAILABLE TO TENNESSEE
22 CUSTOMERS?

23
24 A. The offering was first tested on a trial basis in the Memphis area in April 2001.
25 During this time, the 2001 Key Program was not yet in effect, so this trial

1 offering involved the Select Business Program and the tariffed 2000 Key
2 Business Discount Program. In late April 2001, shortly after the trial began,
3 BST voluntarily suspended outbound telemarketing sales efforts intended to
4 convince former customers to return to BST for their local service. As a result,
5 BST voluntarily suspended the trial of this offering in Memphis, and only one
6 customer had accepted the trial offer that involved the 2000 Key Business
7 Discount Program prior to this suspension.

8
9 After this voluntary suspension was lifted, the offering that involved the 2001
10 Key Program was made available throughout the State of Tennessee. Following
11 the filing of AIN's complaint, BST ceased marketing that offering, and no
12 further customers were allowed to sign up for that offering.

13
14 Q. TO WHICH CUSTOMERS WAS THE OFFERING AVAILABLE?

15
16 A. While BST marketed the offering primarily to former BST customers, the
17 offering was available to any BST customer that signed a 36-month term
18 election under the 2001 Key Program and who enrolled in the Select Business
19 Program. In fact, some of the Tennessee customers who accepted the offering
20 were BST customers when they accepted the offering.

1 Q. DID YOU SUBMIT THIS OFFERING AND THE TRAINING MATERIALS
2 RELATED TO IT TO BST'S ATTORNEYS FOR REVIEW AND
3 APPROVAL?
4

5 A. No. Although such review and approval of new offerings was required, I knew
6 that the Select Business Program had been reviewed and approved by
7 BellSouth Select, Inc.'s ("BSSI's") attorneys, and I knew that the 2001 Key
8 Program had been reviewed and approved by BST's attorneys. At the time that
9 the offering was developed and implemented, I thought that combining two
10 approved programs was a minor change, so I did not take the offering or any
11 materials related to the offering to BST's attorneys for review and approval. I
12 made a mistake in judgment. I now understand that even seemingly minor
13 variations to approved programs can raise regulatory and legal issues. If I am
14 ever involved with implementing offerings in the future, I will obtain the
15 requisite approvals for any new offerings or for any variations of existing
16 offerings.
17

18 Q. HAVE YOU RECEIVED ANY DISCIPLINARY ACTION AS A RESULT
19 OF YOUR ROLE IN THE OFFERING?
20

21 A. Yes. A letter that, among other things, warns that I can be terminated if
22 anything like this happens in the future was placed in my personnel file, and I
23 have been transferred to a new position. I also will receive no stock options or
24 pay increases this year.
25

1 Q. HAVE STEPS BEEN TAKEN TO ENSURE THIS TYPE OF SITUATION
2 DOES NOT OCCUR AGAIN?

3

4 A. Yes. Ena Shaw describes these steps in her pre-filed direct testimony.

5

6 Q. WHAT ARE SERVICE MANAGERS?

7

8 A. Service Managers are available to provide assistance to any customer regarding
9 certain repair issues. If a repair issue is not resolved by the Repair Center
10 within the time frame specified by the Repair Center, and if the issue remains
11 unresolved after it has been escalated, a Service Manager can assist any
12 customer in resolving the issue. A Service Manager takes ownership of the
13 situation until it is resolved, provides status reports to the customer, and is on
14 call until the issue is resolved.

15

16 Q. WHAT ARE SELECT SERVICE MANAGERS?

17

18 A. Some of the Service Managers are designated to assist customers who have
19 enrolled in the Select Business Program, and they are called Select Service
20 Managers. These Select Service Managers do the same things for customers
21 that have enrolled in the Select Business Program as the other Service
22 Managers do for customers that have not enrolled in the Select Business
23 Program.

24

25

1 Q. HOW DOES BST INFORM POTENTIALLY-ELIGIBLE CUSTOMERS OF
2 THE SELECT BUSINESS PROGRAM?

3
4 A. There are several ways that this is done. When a Small Business Services
5 representative contacts a potentially-eligible customer, for instance, that
6 representative typically will invite the customer to enroll in the Select Business
7 Program. Similarly, the entities that make outbound telemarketing calls on
8 behalf of BST to small business customers also typically invite potentially-
9 eligible customers to enroll in the program. Personnel who handle inbound
10 calls from small business customers typically invite potentially-eligible
11 customers to enroll in the program during these calls.

12
13 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

14
15 A. Yes.

16

Docket 01-00868

January 25, 2002

Exhibit DL-1

BELLSOUTH
TELECOMMUNICATIONS, INC.
TENNESSEE
ISSUED: May 25, 2001
BY: President - Tennessee
Nashville, Tennessee

GENERAL SUBSCRIBER SERVICES TARIFF

Original Page 84

EFFECTIVE: June 26, 2001

A13. MISCELLANEOUS SERVICE ARRANGEMENTS**A13.90 Business Programs (Cont'd)****A13.90.6 2001 Key Business Discount Program****A. Rules and Regulations**

Beginning June 26, 2001, and continuing until June 25, 2002, qualifying business customers with locations in specific wire centers may enroll in this Program, which provides discounts on their billed BellSouth revenue as described below, by signing an eighteen month or three-year term contract.

1. In order to qualify for the 2001 Key Business Discount Program, new and existing BellSouth business customers with locations in specific wire centers listed following, must meet these requirements:

a. Participants must have monthly total billed BellSouth revenue of between \$100 and \$3000 at one location in a listed wire center per billed telephone number or Club bill. All other locations billed to the same telephone number or Club bill may also participate.

b. Participants may not have Analog Private Line service.

c. Multi location customers with BellSouth® Centrex, MultiServ® service, ESSX® service, or Digital ESSX service may participate so long as at least one location meets the eligibility requirement in a. preceeding. All other locations may participate as long as they are billed under the same account.

2. Eligible Wire Centers are: All wire centers in Rate Groups 4 and 5, Clarksville (Main) and Columbia (Main).

* Registered Service Mark of BellSouth Intellectual Property Corporation
* BellSouth is a registered trademark of BellSouth Intellectual Property Corporation

BELLSOUTH
TELECOMMUNICATIONS, INC.
TENNESSEE
ISSUED: May 25, 2001
BY: President - Tennessee
Nashville, Tennessee

GENERAL SUBSCRIBER SERVICES TARIFF

Original Page 85

EFFECTIVE: June 26, 2001

A13. MISCELLANEOUS SERVICE ARRANGEMENTS**A13.90 Business Programs (Cont'd)****A13.90.6 2001 Key Business Discount Program (cont'd)****A. Rules and Regulations (cont'd)**

2. Qualifying Program participants must sign a term contract of eighteen months or three years to receive the discounts that are detailed in B. following, Discount Schedule. (N)
3. Base and Hunting discounts will be applied to billing for services in the Tennessee General Subscriber Services Tariff and the Tennessee Private Line Services Tariff. (N)
4. Discounts are based on end-user monthly total billed BellSouth revenue at Tennessee locations in specific wire centers excluding:
 - Unregulated charges, taxes, late payment charges, charges billed pursuant to federal or state access service tariffs, charges collected on behalf of municipalities (including, but not limited to services for 911 service and dual party relay services), and charges for services provided by other companies. (N)
5. To participate in this Program, qualifying customers must sign an eighteenth month or three-year term contract between June 26, 2001, and June 25, 2002. Following this period, no subscribers may enroll in this Program. This Program is available for resale for the duration of this enrollment period. Following the expiration of this enrollment period, no new customers may enroll in the Program, but any contract established under this Program between BellSouth and its customers would continue to be available for resale for the remaining term of the existing contract. Aside from these resale situations, a customer may not assign its rights under any contract signed pursuant to this Program to another customer or to any other third party. (N)
6. Should a participating customer terminate a contract signed under this Program without cause, the customer must pay BellSouth a termination liability equal to the lesser of: (1) the total of the repayment of discounts received during the previous twelve (12) months of service and the repayment of the prorated amount of any waived or discounted nonrecurring charges; or (2) six percent (6%) of the total contract amount. The same termination provisions will apply for all underlying services. (N)
7. Customers with aggregated state-wide location revenues that exceed \$36,000 annually are not eligible to participate in the Business Discount Program, even if some or all of their locations meet the revenue criteria. (N)
8. Base and Hunting discounts (for grouping service) apply only to BST total billed revenue within Tennessee. (N)
9. Customers with volume and term Contract Service Arrangements (CSAs) are not eligible for this Program. (N)
10. Customers participating in previous Key Customer Promotions, Business Discount Programs, the Hunting Term Promotion, the Competitive Response Program and/or any future versions of those promotions are not eligible for this Program. (N)
11. A customer which is currently participating in the Hunting Term Promotion and which wishes to participate in this program may terminate its Hunting Term Promotion contract without incurring termination liability if the term elected by the customer under this program equals or exceeds the remaining term of the customer's Hunting Term Promotion contract. (N)

BELLSOUTH
TELECOMMUNICATIONS, INC.
TENNESSEE
ISSUED: May 25, 2001
BY: President - Tennessee
Nashville, Tennessee

GENERAL SUBSCRIBER SERVICES TARIFF

Original Page 86

EFFECTIVE: June 26, 2001

A13. MISCELLANEOUS SERVICE ARRANGEMENTS**A13.90 Business Programs (Cont'd)****A13.90.6 2001 Key Business Discount Program (cont'd)****B. Discount Schedule**

1. Base discounts applicable to the subscribers' total billed revenue at Tennessee locations in specific wire centers as defined in A.1.; 2.; 3.; and 4 preceding are as follows:

Monthly Total Billed Revenue	18 Month Term	36 Month Term
\$1,000 - \$3,000	14%	18%
\$150 - \$999.99	10%	14%
\$100 - 149.99	6%	10%
Hunting Discount	50%	75%

2. If a Program participant orders additional services during the enrollment period, line connection charges will be waived for those services ordered. In addition, from June 26 through September 28, 2001, customers who order additional lines and who choose a three year contract are eligible for a waiver of 12 months' recurring charges for BellSouth® Voice Mail service (BVM) (where BVM is available).
3. For each month during which a contract which is signed under this Program is in effect, the customer will receive the discount associated with the customer's total billed BellSouth revenue at a given Tennessee location as defined in A.1.; 2.; 3.; and 4 preceding for that particular month.
4. If a Program participant's total billed BellSouth revenue at a given Tennessee location as defined in A.1.; 2.; 3.; and 4 preceding in a given month falls below the minimum revenue per month or above the maximum revenue per month, discounts will not be applied at that location for that month.
5. The applied discounts will appear as a credit in the Other Charges and Credits (OC&C) section of the Program Participant's bill.

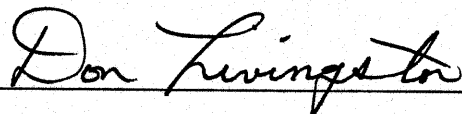
* BellSouth is a registered trademark of BellSouth Intellectual Property Corporation

AFFIDAVIT

STATE OF: Georgia
COUNTY OF: Fulton

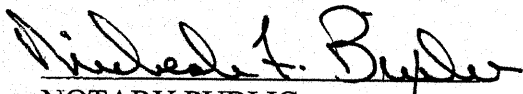
BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Don Livingston – Senior Director, Voice Product Strategy and Development, BellSouth Affiliate Services Corporation, who, being by me first duly sworn deposed and said that:

He is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 01-00868 on behalf of BellSouth Telecommunications, Inc., and if present before the Authority and duly sworn, his testimony would be set forth in the annexed testimony consisting of 8 pages and 1 exhibit(s).



Don Livingston

Sworn to and subscribed
before me on 11/25/02


NOTARY PUBLIC

MICHEALE F. BIXLER
Notary Public, Douglas County, Georgia
My Commission Expires November 3, 2005